



HF 2321 – Railroad Property Taxes (LSB 6043YH)

Analyst: Jeff Robinson (Phone: (515) 281-4614) (jeff.robinson@legis.iowa.gov)

Fiscal Note Version – New

Description

House File 2321 adds railway property to the property tax replacement calculation created in **Iowa Code section 441.21A**. The change applies to FY 2015 and after.

Background

Senate File 295 (Property Tax Reform and Income Tax Credit Act of 2013) created a State General Fund replacement appropriation to reimburse local governments for the property tax revenue reduction associated with changes to how commercial and industrial property is taxed. One of the changes enacted in SF 295 was a forced taxable value rollback to 95.0% of assessed value in FY 2015 and to 90.0% for FY 2016 and after. The forced rollback applies to property classified as commercial, industrial, and railroad. The calculation of the replacement funds each local government is to receive does not include reduced railroad property value. This Bill will add reduced railroad taxable value to the local government reimbursement calculation.

For FY 2015 through FY 2017, the General Fund reimbursement appropriation is a standing unlimited appropriation. Beginning in FY 2018, the appropriation is a standing limited appropriation that cannot exceed the actual FY 2017 appropriated amount. If reimbursement claims exceed the FY 2017 level, the reimbursements are to be prorated.

Assumptions

- For FY 2014, the statewide assessed value of railroad property totaled \$1.461 billion and property taxes paid on that value totaled \$42.230 million. This equals an average property tax rate of \$28.90 per thousand dollars of taxable value. The State uniform levy for schools equals \$5.40 of the \$28.90 tax rate.
- If the uniform levy \$5.40 is not backfilled through the reimbursement appropriation, it will be backfilled through the State General Fund appropriation for school aid.
- Railroad property assessed value will increase 5.0% per year.
- The average railroad property tax rate will remain at \$28.90 per thousand.
- Beginning FY 2018, local government reimbursement claims will exceed the standing appropriation and therefore will be prorated.

Fiscal Impact

Adding railroad property to the local government reimbursement calculation will increase State General Fund appropriations by the following amounts:

- FY 2015 = \$1.8 million
- FY 2016 = \$3.8 million
- FY 2017 and after = \$4.0 million

The increased appropriation for local government reimbursement will result in additional local government revenue equal to the same amounts.

Sources

Department of Management property value files
Legislative Services Agency analysis

/s/ Holly M. Lyons

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The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
